CONTENTS

	Page
CHAPTER 1. ECONOMIC POLICY AND OUTLOOK	19
The Need for a Durable Recovery	19
Monetary and Fiscal Policies	21
Energy Policies	23
The Outlook	24
Consumption	24
Nonresidential Fixed Investment	25
Housing and Residential Investment	27
Inventories and Net Exports	28
Federal and State and Local Government Purchases	29
Risks in the Forecast—The Inflation Outlook	30
Wage Increases in 1976	32
Food Prices	34
Will Money Supply Growth Be Appropriate?	35
Will Capital Requirements for the Remainder of this Decade Be Met?	39
An Estimate of Capital Requirements	41
Inferences	46
CHAPTER 2. ECONOMIC POLICY AND DEVELOPMENTS IN 1975	48
Fiscal Policy	50
Federal Expenditures	51
Federal Receipts	53
Balances of the Federal Sector	54
State and Local and Combined Balances	57
Money and Credit	58
Monetary Aggregates	58
The Money and Bond Markets	60
Other Developments in Financial Markets	61
Ranges for Monetary Growth Rates	63
Demand and Output	64
Consumer Income and Saving	64
Consumer Expenditures	65
Business Fixed Investment	67
Residential Investment	67
Inventory Investment	68
Net Exports	69
Government Purchases	70

597-578 O - 76 - 2

CHAPTER 2. ECONOMIC POLICY AND DEVELOPMENTS IN 1975—Continued — Page

Prices, Wages, and Profits — 70
Prices — 70
Wages — 72
Productivity — 74
Unit Labor Costs — 75
Profits of Nonfinancial Corporations — 75
Employment, Unemployment, and Income Maintenance — 77
Employment — 77
Unemployment — 79
The Mitigating Effects of the Income Transfer System — 81
Energy Developments — 83
Prices — 83
Consumption — 86
Production — 88
Imports and Exports — 90
Agricultural Developments — 90
Adjustments to Reduced 1974 Crops — 90
The Soviet Grain Shortfall — 91
CHAPTER 3. INCOME SECURITY AND HEALTH ISSUES — 93
Income Security Programs — 93
Aid to Families With Dependent Children — 96
AFDC–UF — 100
Food Programs — 101
Unemployment Compensation — 106
Social Security — 111
Medical Care — 117
Health Status and Medical Expenditures — 119
Health Insurance, Health Expenditures, and Family Income — 121
Resource Allocation and Costs — 124
Medicaid and Medicare Proposals — 126
CHAPTER 4. THE WORLD ECONOMY IN 1975 — 128
The Current State of the Cycle — 128
Domestic Demand — 129
External Demand — 132
The Role of External Demand in the Recovery — 134
Government Policies — 135
The General Outlook — 136
International Economic Cooperation — 137
Trade Policies — 138

CHAPTER 4. THE WORLD ECONOMY IN 1975—Continued — *Page*

International Monetary Developments — 139
Exchange Rate Arrangements — 146
Gold Arrangements — 147
International Financial Resources — 149
The Current Financial Position of the Non-Oil LDCs — 150
Earnings Stabilization and Commodity Arrangements — 151

APPENDIXES:

A. Report to the President on the Activities of the Council of Economic Advisers During 1975 — 153
B. Statistical Tables Relating to Income, Employment, and Production — 165

LIST OF TABLES AND CHARTS

Tables

1. Growth Rates of Real Business Fixed Investment and Change in its Share in Real Gross National Product in Recovery Periods, 1955–76 — 26
2. Calendar of Major Private Nonfarm Collective Bargaining Activity, 1976 — 33
3. Growth Rates of Velocity of Money, Real Gross National Product, and Interest Rates, Selected Periods, 1948 IV–1973 IV — 37
4. Share of Business Fixed Investment in Gross National Product: Historical Data and Projected Requirement, Selected Periods, 1965–80 — 44
5. Factors Affecting the Cumulative Total Business Fixed Investment Required From 1971 Through 1980, by Major Industries — 45
6. Changes in Gross National Product in Constant (1972) Dollars, 1973–75 — 49
7. Federal Government Receipts and Expenditures, National Income Accounts Basis, Calendar Years 1974–75 — 52
8. Actual and Full-Employment Federal and State and Local Government Receipts and Expenditures, National Income Accounts Basis, Calendar Years 1969–75 — 55
9. Selected Components of Commercial Bank Credit and Time and Savings Deposits, 1974–75 — 62
10. Changes in Personal Income Measures, 1974–75 — 65
11. Changes in Business Inventories, 1974–75 — 68
12. Changes in Selected Price Measures, 1973–75 — 71
13. Changes in Major Collective Bargaining Settlements, 1973–75 — 73
14. Changes in Costs and Productivity in the Private Nonfarm Economy, 1974–75 — 74

Tables—Continued *Page*

15. Quarterly Changes in Labor Productivity in Postwar Recessions, Private Nonfarm Economy 75
16. Profits of Domestic Nonfinancial Corporations, 1973–75 76
17. Net Funds Raised in Financial Markets by Nonfinancial Corporations, 1973–75 77
18. Labor Market Indicators, 1957–58 and 1974–75 78
19. Nonagricultural Payroll Employment, by Industry, 1974–75 .. 79
20. Labor Turnover Rates in Manufacturing, 1963–75 79
21. Unemployment Rates by Reason for Unemployment, Age, and Sex, 1973–75 80
22. Income Transfer Programs, 1973–75 82
23. Refiner Acquisition Cost of Crude Petroleum, 1973–75 84
24. Changes in Wholesale Prices of All Commodities and Selected Fuels and Power, 1966–75 85
25. Changes in Consumer Prices of All Items and Energy Items, 1965–75 86
26. Gross Consumption of Energy by Major Source, 1965–75 87
27. U.S. Grain Exports to the U.S.S.R., Fiscal Years 1971–76 92
28. Aspects of Selected Federal Income Security Programs 94
29. AFDC Families, Recipients, and Cash Payments, Selected Years, 1950–75 97
30. Federal Food Programs, Selected Fiscal Years, 1950–75 102
31. Distribution of Food Stamp Households by Annual and Monthly Income, July 1974 and March and July 1975 103
32. Beneficiaries and Cash Benefits in the Old-Age, Survivors, and Disability Insurance Program (OASDI), Selected Years, 1950–75 112
33. Social Security Benefits for Single Men and for Married Men With a Dependent Wife Retiring at Age 65 Years and Age 62 Years, 1974 113
34. Labor Force Participation Rates and Social Security Benefits for Men 60 Years of Age and Older, Selected Years, 1940–75. 115
35. Total Health Expenditures and Personal Health Expenditures by Source of Funds, Selected Fiscal Years, 1940–75 118
36. Expenditures Per Person for Different Health Services by Family Income Status and Source of Payments, 1970 123
37. Changes in Prices of Various Medical and Hospital Services and Expenses, 1950–75 124
38. Changes in Industrial Production in Selected Industrial Countries, 1974–75 129
39. Personal or Household Saving Rates in Selected Industrial Countries, 1965–75 130

List of Tables and Charts—Continued

Tables—Continued *Page*

40. Unemployment Rates, Adjusted to U.S. Concepts, in Selected Industrial Countries, 1962–75 131
41. Changes in Consumer Prices in Selected Industrial Countries, 1962–75 131
42. Merchandise Trade in Selected Industrial Countries, 1973–75. 133
43. Current Account Balances for OECD, OPEC, and Other Countries, 1973–76 141
44. Current Account Balances for OECD Countries, 1974–75 141

Charts

1. Interest Rates and Monetary Growth 59
2. Domestic Fuel Production 89
3. Interest Rates 142
4. Interest Rate Differentials 143
5. Foreign Exchange Rates 145